



# MENANG CORPORATION (M) BERHAD

196401000240 (5383-K)

## TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

### 1. Objective

The primary objectives of the Audit and Risk Management Committee (“**ARMC**”) are:

- a) to assist in the fiduciary duties of the Board in matters pertaining to business ethics, policies, financial management, internal controls, risk management, accounting policies and financial reporting of the Company and its subsidiaries;
- b) to maintain and enhance a line of communication and independence between the Company and its subsidiaries and the external and internal auditors;
- c) to ensure a system of internal controls and risk management which will mitigate the likelihood of fraud or error.

The appointment of a properly constituted ARMC is an important step to assist the Board of Directors in raising the standard of Corporate Governance and observance of good Corporate Governance practices.

### 2. Composition of ARMC

- a) The ARMC shall be appointed by the Board of Directors from amongst themselves and shall fulfil the following requirements:-
  - (i) the ARMC shall comprise of not fewer than three (3) members;
  - (ii) all the ARMC shall be non-executive directors, with a majority of them being independent directors;
  - (iii) the Chairman of the ARMC shall be an independent director and shall not hold the post as Chairman of the Board; and
  - (iv) at least one (1) member of the ARMC:
    - i. Must be a member of the Malaysian Institute of Accountants (“**MIA**”);  
or
    - ii. If he / she is not a member of the MIA, he must have at least three (3) years’ working experience and:
      - He / She must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - He / She must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
    - iii. Fulfils such other requirements as prescribed and approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**”).
- b) No alternate director shall be appointed as a member of the ARMC.



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### 2. Composition of ARMC (continued)

- c) A “cooling-off” period of at least three (3) years shall be observed before a former audit partner be appointed as a member of the ARMC.
- d) In the event of any vacancy in the ARMC resulting in the non-compliance of paragraph 15.09(1) of the Bursa Securities’ Main Market Listing Requirements, the Company must fill the vacancy within three (3) months.
- e) The Board of Directors of the Company shall through the Nomination Committee review the terms of office and performances of each of the ARMC members through an annual assessment conducted to determine whether such ARMC members have carried out their duties in accordance with their terms of reference.

### 3. Meetings

The ARMC may regulate its own procedure with the assistance of the Secretary, in particular:-

a) Frequency of Meeting

The ARMC shall meet not less than four (4) times a year on a quarterly basis or any many times as the Committee deems necessary with due notice of issues to be discussed.

The ARMC may deal with matters by way of circular resolution in lieu of convening a formal meeting.

Meetings of the ARMC linked by instantaneous telecommunication device of a number of the members of the ARMC no less than the quorum whether or not any one or more of the members of the ARMC is out of Malaysia, is deemed to constitute a meeting of the ARMC. For the purpose of this provision, “instantaneous telecommunication device” means “any telecommunication conferencing device with or without visual capacity”.

b) Proceedings of Meeting

The quorum for meeting of the ARMC shall be two (2) members.

The Company Secretary shall be the Secretary of the ARMC.

Decisions at any meeting shall be decided by majority of votes. In case of an equality of votes, the Chairman of the ARMC shall have a second or casting vote.



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### 3. Meetings (continued)

#### c) Attendance at Meeting

The ARMC may require the presence of external auditors and/or internal auditors to attend any of its meeting when necessary.

The Group Chief Financial Officer shall be invited to attend the meeting.

Other members of the Board and officers of the Company and its Group may attend the meeting upon the invitation of the Committee.

The ARMC shall meet with the external auditors without the presence executive directors of the Board at least twice a year.

The ARMC shall report its findings and recommendations to the Board of Directors as it deems appropriate.

#### d) Keeping and Inspection of Minutes

The Company Secretary shall ensure that a formal record of the ARMC proceedings and resolutions is maintained.

The minutes signed by the Chairman of ARMC at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

The records of ARMC shall be kept by the Company Secretary at the registered office, and shall be open to the inspection of any members of the Board of Directors or ARMC members upon request.

The minutes of the ARMC meeting shall be circulated to the members of the Board for notation.

### 4. Authority

The ARMC shall in accordance with the procedure determined by the Board and at the expense of the Company:-

- a. have explicit authority to investigate any matter of the Company and its subsidiaries within its terms of reference;
- b. have the resources which the Committee needs to perform the duties;
- c. have full and unrestricted access to any information which the ARMC requires in the course of performing its duties;



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### 4. Authority (continued)

- d. have direct communication channels with the external auditors and internal auditors;
- e. be able to obtain outside legal or independent professional advice in the performance of its duties at the cost of the Company through an agreed procedure laid down by the Board; and
- f. convene meetings with the external and/or internal auditors excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Chairman of the ARMC may engage with the Chairman of the Board, management, group accountant, internal auditors and external auditors anytime and on a continuous basis to be kept informed of matters affecting the Group.

### 5. Responsibilities and Duties

The duties and responsibilities of the ARMC shall include the following:-

- (i) Matters relating to External Audit
  - a. To review the independence and objectivity of the external auditors and their services including non-audit services when considering the appointment of the external auditors, the audit fee(s) and any questions on the resignation or dismissal and as to whether there are any reason(s) to believe that the Company's external auditors are not suitable for re-appointment;
  - b. To review the nomination of external auditors and their audit fees;
  - c. To review the nature, scope and quality of external audit plan/arrangements;
  - d. To review quarterly and annual financial statements of the Company, before submission to the Board, focusing in particular significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, the going concern assumption and how these matters are addressed, compliance with accounting standards and other legal requirements, and any changes in accounting policies and practices;
  - e. To review the external auditors' Audit Report;
  - f. To review with the external auditors, their evaluation of system of internal controls;
  - g. To review the assistance given by the Company's employees to the external auditors; and
  - h. To review the Company's policies and procedures with management and external auditors to ensure the adequacy of internal accounting and financial reporting controls.



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### **5. Responsibilities and Duties (continued)**

#### **(ii) Matters relating to Internal Audit function**

- a. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- b. To review the internal audit program, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on its recommendation(s);
- c. To review the major findings of internal audit investigation and Management's responses and ensure appropriate actions are taken on the recommendations of the internal audit function;
- d. To review the follow up actions by the management on the weakness of internal accounting procedures and controls;
- e. To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- f. To review the assistance and co-operation given by the Company and its officers to the internal auditors.

#### **(iii) Risk Management, Sustainability and Internal Control**

- a. To review the adequacy of risk management framework to ensure its adequacy and effectiveness and to review the significant risks identified to ensure sufficient measures are taken to mitigate the risk;
- b. To evaluate the quality and effectiveness of the Company's internal controls and management information systems, including compliance with applicable laws, rules and guidelines;
- c. To review the adequacy and effectiveness of sustainability measures taken by the Company; and
- d. To recommend to the Board of Directors the Statement on Risk Management and Internal Control and Sustainability Statement and any changes required to said statements.

#### **(iv) Related Party Transactions**

- a. To consider and review related party transaction and conflict of interests' situation that arose, persist or may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.



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### **6. Reporting Responsibilities**

The Chairman of the ARMC shall report to the Board of Directors on its findings and recommendations after each meeting.

### **7. General Meetings**

The Chairman of the ARMC shall be available to respond to any questions addressed to him/her at any General Meeting.

### **8. Revision of the Terms of Reference**

This Terms of Reference will be reviewed at least once a year to ensure it remains consistent with the ARMC's objectives and responsibilities.

Any revision or amendment to this Terms of Reference, as proposed by the ARMC or any third party, shall be presented to the Board for approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.